Enterprise policy and the metagovernance of firm capabilities in the context of environmental turbulence

Abstract

There is increasing recognition of network models as improved alternatives to traditional bureaucratic hierarchies in governing increasingly complex economies and societies. Enterprise policy is a form of network governance in which policy is delivered by experienced business professionals who work as independent consultants for knowledge intermediaries that are coordinated by government. The aim is to contribute to a dynamic economy in which enterprises can respond to rapid environmental changes by learning through open network interactions. The logic and benefits of enterprise policy are explored through reference to public administration, strategic management and evolutionary theory and three case studies.

Introduction

In the post-World War II era, public policy arrangements designed to achieve national competitive advantage supported favored sectors in response to structural economic change associated with the emergence and decline of industries (Armstrong, Glyn, & Harrison, 1991; Johnson, 1984). More recently, particularly from the 1980s, there has been a greater emphasis on the creation of an overall environment of business supportive of competitiveness, either by emphasizing cost-based competitiveness through taxation and regulatory reform or quality-based competitiveness through skills and technology investment (Audretsch, 1998; Audretsch & Thurik, 2001). Enterprise policy is different from these prior approaches because it is focused on building the capabilities of individual business enterprises to learn and change (Mole & Keogh, 2010; Bennett, 2008), rather than supporting sectors or fostering competitive business environments.

A distinguishing feature of enterprise policy relates to the way in which it is developed and delivered. The negotiation and implementation of industrial policy has traditionally involved various forms of government and government-business coordination of economic change (Coleman, 1997). In contrast, enterprise policy represents a form of network governance in which policy is delivered quite independently from the state by experienced business professionals, including engineers, scientists and business advisors, who work often as independent consultants for independent knowledge intermediaries that are only partly funded by the state (Bell & Park, 2006; Meuleman, 2008). This fits the model of what the public policy and administration literature describes as ‘network governance’, which is widely regarded as more flexible and responsive than traditional administrative arrangements (Bjørnå & Aarsæther, 2010; Meuleman, 2008; Provan & Kenis, 2008).

Further, enterprise policy is distinguishable in terms of the underlying logic for policy intervention. Typically government policy intervention in the pursuit of competitive advantage has been justified in terms of market failure (including externalities and information asymmetries) or alternatively the sub-optimal creation of high-technology industries or regions (Bennett, 2008; Mole & Bramley, 2006). The paper suggests that advocates of enterprise policy pose their public benefit arguments in evolutionary terms in that policy support is seen as contributing to a dynamic economy in which enterprises are able to better respond to the increasingly rapid environmental changes that they face (Nelson & Winter, 1982; Nelson, 2008). Business advisors who deliver the programs and firms who participate report that the benefits to the firm are not simply the information acquired through one off policy intervention, but a broader transformation in how the firm approaches learning, which has long-term flow on effects well beyond the program completion. By building improved networks within and external to the firm, trainers and firm participants suggest that firms are better able to adapt in the context of environmental turbulence.

The first part of the paper draws on public administration, evolutionary and strategic management theory as a basis for understanding the distinctiveness and impacts of enterprise policy. The second part of the paper explores three Australian cases to illustrate the unique characteristics of enterprise policy and their perceived benefits.

The theoretical foundations of Enterprise Policy

From bureaucratic hierarchies to metagovernance

The first feature of enterprise policy is that it depends on a form of metagovernance in policy design and implementation (Sørensen & Torfing, 2009, 2011; Jessop, 2002) that is distinguishable from hierarchical and centralized approaches to industry policy. Traditional administrative frameworks associated with industry policy intervention have been characterized with reference to the concept of 'state strength' or the capacity of the state to resist pressure from major interest groups or to impose decisions on major social and economic actors. In relation to industry policy, state strength is associated with an ability to develop and implement industry policies independently of major political interests (Atkinson & Coleman, 1989; Evans, Rueschemeyer, & Skocpol, 1985). Other strands of the statist literature have linked 'state capacity' to the ability of the state to develop and achieve specific industry policy objectives and to mobilize private interests in the pursuit of those objectives. In this approach, the state develops and implements industry policy goals in conjunction with industry (Weiss, 1998). Enterprise policy, however, involves coordinating mechanisms that are implemented through distributed networks, rather than public bureaucracies or centralized agencies of business and government.

The general account of the shift from government to network governance, which Marinetto (2003) has described as the Anglo-Governance School, provides a framework for understanding the distinctiveness of enterprise policy as an approach to industry policy. The broader transition from government to governance has involved privatization, contracting and marketization, which have created a plethora of quangos, public-private partnerships, sub-contractors and not-for-profit organizations, which the state now relies on for the delivery of public services (Giddens, 1998, pages 28–33; Rhodes, 1996; Hay & Richards, 2000). Some argue that the shift to network governance has resulted from the decline in the capacity of the central state to steer society and the economy or to confront 'wicked problems' (Koppenjan & Klijn, 2004; Pierre & Peters, 2000,

pages 83–91). As van Bueren, Klijn, and Koppenjan (2003, page 193) explain, networks have become an important foundation of governance in the context of ‘wicked problems’ that cut across policy fields and that are persistent despite ongoing attempts to resolve. However, as Bell and Park (2006, pages 65–66) have suggested, many of these developments can be better understood as a form of metagovernance involving the government of governance or the continuing role of the state in managing network governance arrangements. Enterprise policy involves the state ‘offloading’ some of its policy delivery responsibilities to non-state actors while retaining a central policy making and coordinating role, thereby coming within the concept of metagovernance (Meuleman, 2008; Sørensen & Torfing, 2009, 2011). The state ‘provides the ground rules’ while recognizing that private actors with business experience have knowledge and skills, including business management and technical (engineering or scientific) knowledge not necessarily possessed by state administrators (Bell & Park, 2006, page 67) .

Important actors in this metagovernance approach to industry policy are the intermediary organizations that have acquired responsibility for policy development and delivery. These independent intermediaries develop networks necessary to facilitate knowledge exchange between knowledge suppliers (including research institutions and universities) and firms, both large and small and between firms themselves. As Howells (2006, page 720) has explained, an intermediary can be defined as any “organization or body that acts as an agent or broker in any aspect of the innovation process between two or more parties”.

A further characteristic of the metagovernance approach is its acceptance of uncertainty in decision making, something that departs from the traditional model of public policy formation and implementation involving expert decision making in bureaucratic hierarchies (Gunasekara, 2008;

Meuleman, 2008). Metagovernance involves the design and implementation of policy through networks, which are de-centralized and characterized by fluidity, which is necessary to cope with rapid processes of social and economic change, intense social and economic complexity and instability (Beck, 1999; Castells, 1996; Jessop, 2002). In contrast, hierarchies are characterized by clear roles and lines of control and authority and directive processes within organizations (Williamson, 1996); they are oriented towards bureaucratic positivist modes of decision-making based on problem solving through expertise rather than local experience (Fischer, 2003, page 206). Within networks there is a decentralization of power and decision-making and a blurring of roles and responsibilities (Stoker, 1998). Interaction occurs through the exchange of narratives based on local knowledge and experience (Yanow, 2000, 2003). Jessop has described network processes as involving 'reflexive rationality' based on attempts at negotiation and steering for the purpose of coordinating economic behaviors in the pursuit of common purposes (2002, pages 229–230).

In the context of enterprise policy, the flexibility of the network governance model provides unique advantages. This is because the capacity for change has become increasingly linked to competitiveness in contemporary economies (Cooke & Morgan, 1998; Lenvinthal & March, 1993). Network governance structures provide the flexibility to keep pace with rapidly changing markets and competitive needs. Autonomous and semi-autonomous service providers, in many cases themselves quite small, can utilize their experiential knowledge and closeness to market to respond to changing needs amongst their client base (Janis, 2003; Wright, Clarysse, Lockett, & Knockaert, 2008), albeit some have identified the potentially higher cost of this form of decentralized policy delivery (Bennett, 2008).

Disrupting path dependent firm capabilities

Enterprise policy is part of the increasing concern of government with improved firm capabilities in the pursuit of the wider objective of promoting economic innovation and often in particular regional economic innovation (Asheim & Isaksen, 2002; Batterink, Wubben, Klerkx, & Omta, 2010). The integral role of SME policy and government objectives of creating 'learning regions' is well documented (Asheim & Isaksen, 2002). There is an increasing number of small business and entrepreneurship policy programs that fall within the rubric of enterprise policy in that they are focused specifically on capability development (OECD, 2007) such as the UK personal business advisor programs (Storey, 2003), the Brazilian government's consultancy programs for enterprises in remote regions in the state of Ceara in Brazil (Schwartz & Bar-El, 2004). Drawing on the resource based view of the firm, the small business advisory literature has identified advice as a firm resource and therefore capability (Mole & Keogh, 2010), which is distinctive to the firm as advice is necessarily tailored to the specific firm context (Chrisman, McMullan, & Hall, 2005). More recently the resource based view, through the literature on dynamic capabilities, has linked competitiveness to the ability of a firm to learn and improve, to sense and seize opportunities and to innovate and reconfigure resources and capabilities in the context of a dynamic environment (Augier & Teece, 2008).

Consistent with this logic, the rationale for enterprise policy is based on evolutionary understanding of firm behavior and dynamic competitive advantage, thereby suggesting that policy intervention can assist firms in overcoming the organizational impediments to the pursuit of dynamic competition, which are well documented in the strategic management literature (Aldrich, 1999; Hannan & Freeman, 1984; Tushman & Romanelli, 1985; Leonard-Barton, 1992). Evolutionary logic

suggests that in the absence of policy intervention, path dependency will result in sub-optimal outcomes because competitiveness depends on the capability for dynamic change at both the level of the firm and the economic system and this change capability can be impaired by the effects of path dependency (Hannan & Freeman, 1984).

Evolutionary theories of the firm have emphasized the obstacles that inhibit the capacity of organizations to develop competence in fields in which they do not have a history (Leonard-Barton, 1992; Levinthal & March, 1993). The concept of 'organizational stickiness' has been a key element of evolutionary analysis, in which a given set of organizational structures, strategies and processes constrain opportunities, limit the repertoire of ideas available to organizational actors and create incentives for managers and employees whose interests and ideas come to align with the dominant strategies, which they in turn seek to reproduce over time (Nelson & Winter, 1982; Hinings, Thibault, Slack, & Kikulus, 1996).

These processes of path dependency can be broken down into elements of organizational 'lock-in'. Structural inertia arises from routines that encourage exploitation of existing competences (rather than exploration) (Benner & Tushman, 2003; Leonard-Barton, 1992; Nelson & Winter, 1982) and in which complacency develops so that organizations drift without seeking improvement. A further basis for lock-in arises because firms are engaged in close, often personal, relations that prevent them from acquiring information outside their well established networks (Schreyögg & Keliesch-Eberl, 2007). Cognitive 'lock-in' exists when the way in which organizational actors, including CEOs, see the world in highly cohesive ways resulting in the exclusion of ideas that are inconsistent with established frames. This is a form of psychological commitment (Kogut & Zander, 1992; Levinthal & March, 1993).

As such, path dependency or self-reinforcing firm behaviors can impede the ability of firms to change and develop new capabilities in response to changes in their environment, thus creating 'rigidification' in economic activities and firm behaviors. There is some debate as to whether firms can shift from a position of 'lock-in' through the pursuit of strategic advantage, with some emphasizing the role of managers in that process (Zahra, Sapienza, & Davidsson, 2006; Augier & Teece, 2008). However, a widely held view draws on the idea of punctuated equilibrium in which some form of exogenous shock or disruption is required for a departure from a position of path dependency (Burgelman, 2002; Martin & Sunley, 2006). Such disruption can arise from the influence of external agents, such as intermediary organizations (Ambrosini, Bowman, & Collier, 2009) involved in the delivery of enterprise policy programs.

Three Australian case studies

The empirical component of the paper explores the nature and logic of enterprise policy in the Australian context. Australian industry policy has been criticized historically for failing to promote industrial change associated with technological or market opportunities (Bell, 1997; Castles, 1988; Capling & Galligan, 1992). More recently there have been several major policy initiatives that have had a transformative dimension including the Enterprise Connect Program which is a nationwide government funded business advisory service delivered through networks of business consultants. The three cases reviewed in this paper each constitute examples of enterprise policy that informed the development of the broader Enterprise Connect Program. The analysis of the three cases relies on public documents as cited in addition to a series of interviews. In late 2007 and through 2008, a total of 78 face-to-face semi-structured interviews ranging in length from 20 minutes through to over two hours were conducted throughout rural, regional and metropolitan Queensland

in Australia. Twenty-one interviews were conducted with users in the GIS/GPS program, 31 with users in the Ideas2Market program and 26 with participants in the MAP program in 2007 and 2008. An additional nine interviews were conducted within the intermediaries responsible for delivering the programs to gather information on their knowledge exchange projects and operations.

The interview questions focused on key elements of the program and the way it was delivered. We were also interested in the way in which participation in the program disrupted firms' prior routines and affected ongoing learning in the firm. As such, the interview questions focused on what firms were doing differently and how participation in the program affected the ability of a firm to acquire new knowledge and to interpret and modify knowledge within the firm. The interviews have all been transcribed, coded and analysed using qualitative analysis software. We followed established procedures for the analysis of qualitative data (Miles & Huberman, 1994) by undertaking initial coding and identification of themes, relating our findings to the literature, re-analysing and recoding data in light of emerging patterns and ultimately developing theory (Eisenhardt, 1989). Regular project meetings of the authors of the study and project research assistants involved close examination and discussion of data, codes and emerging patterns and themes. Initial coding focused on the elements of path dependency identified in the literature review: attitudes to learning, the existence of routines and the nature of the firm's knowledge networks. We were therefore interested in how each of these elements operated in the firm before and after the program. In addition, we coded the data for evidence of ongoing impacts on learning beyond completion of the program. Interviews within the three intermediaries delivering the program focused on the nature of the program and its aims and the broader role of the intermediaries and their programs.

The method used in this paper involved participant firms in self-assessment of the effects of participation in the program and relied on retrospective interviews. The use of retrospective interviews was necessary because we were interested in firm capabilities that cannot be observed at the point of completion of a program because they involve a repeated pattern of behavior (Schreyögg & Kliesch-Eberl, 2007). There are several potential problems with retrospective and self-assessment interviewing that we sought to address in our research design. These problems include memory lapses, which are particularly problematic for uneventful incidents and rationalization, or the attempt to make things seem positive after the event (Miller, Cardinal, & Glick, 1997). Lenihan and Hart (2004) have also noted the potential for 'respondents' effect' in this approach in which respondents may intentionally exaggerate the effects of participation in a program because they do not wish to reduce their chances of receiving further support in the future. Alternatively interviewees might understate the impact of assistance because they would prefer to attribute any positive aspects of their firm's behavior to their own attributes as business leaders and managers.

We followed standard procedures for dealing with these problems (Forgues & Vandangeon-Derumez, 2001). First, we selected interviewees who were directly involved in the program and who would therefore have spent several days of their time in the initial training, making them more likely to remember events associated with the program. Our sampling technique for the selection of interviewees also sought to minimize the likelihood of effects resulting from memory lapses. Interviewee selection involved an initial approach by the intermediary organization to all program participants seeking volunteers for participation in an analysis of the impact of the program. This should have resulted in the exclusion of interviewees with little memory of the program. As our objective was to understand how participation in an intermediary program affected firm capabilities

particularly relating to learning and change, the selection of interviewees for whom the program had an enduring impact was appropriate. Second, interviewees were not pushed to answer questions if they indicated little or no memory of an effect or an event. Third, interviewees were asked to discuss their learning and change capabilities before they were asked to identify causal connections with participation in the program in order to limit rationalization bias. Finally, our analysis techniques involved careful comparison across interviews seeking recurring patterns regarding the impact of the program.

The Australian cases

The metagovernance of firm capabilities

The following discussion reviews three examples of enterprise policy in Australia. It draws on the information gathering interviews conducted within the intermediary organizations that deliver the three programs that are the focus of the paper. For each, it is possible to identify two of the distinguishing features of enterprise policy discussed above – the focus on firm learning or innovation capabilities and the implementation through a metagovernance framework.

Our first example is the Microscope Action Plan (MAP) run by QMI Solutions. QMI Solutions is an independent not-for-profit organization partly funded by government whose stated aim is to "achieve manufacturing excellence through research, education, and implementation of world class practices and technologies" (QMI Solutions, 2009). The MAP program involves the evaluation, development and implementation of business and innovation strategies associated with manufacturing technologies. It involves an intensive model of program delivery and ongoing

relationship between independent QMI Solutions consultants and participant firms which might extend as long as 12 months; it is not directly delivered by the public bureaucracy. The program therefore fits the model of metagovernance described above in which policy is delivered by an external to government network of QMI Solutions business consultants. The characteristics of the policy program are also developed through negotiation between the provider QMI Solutions and the funder, a Queensland government department.

Our second example is the Australian Institute for Commercialization program Ideas2Market. The AIC ‘works with entrepreneurs, business, research organizations and governments to identify new business opportunities and connect them to successful outcomes’. In addition, AIC ‘assists government with policy initiatives and thought leadership in the innovation space’ (AIC, 2009, page 2). AIC is therefore involved in policy development, design and implementation. Ideas2Market has been in operation at the AIC since 2005. The program fits the metagovernance framework in that it is developed by government in consultation with stakeholders and non-government policy advocates such as AIC and is delivered by AIC through its professional business networks rather than by the public bureaucracy. We undertook research on participants from the introductory program (taking an innovative idea to market), aimed at those who wish to 'take a good idea' and 'turn it into a successful business'. The introductory program is a one-day workshop that provides foundation information about a range of topics relevant to business start-ups, such as business planning, marketing, intellectual property and patenting and financial resourcing with the overall aim of improving business capabilities to take ideas to market. In addition it involves follow up assistance from AIC in which AIC consultants work with firms to resolve business problems or identify further learning opportunities.

The third case study involved the GPS/GIS training program developed by the Queensland Rural Industry Training Council (QRITC), which involved the transfer of GPS/GIS technology to regional enterprises including training in the use of the technology in rural businesses. QRITC is a fee-for-service organization that receives some program funding from government and provides a range of brokerage, advisory, project management and resource development services in rural and regional Queensland. It sits on various policy advisory boards and seeks to influence and deliver programs in support of rural training throughout Queensland. The GPS/GIS course fits within a meta-governance framework as it was developed and delivered by QRITC through its extensive rural networks and funded by government project grants. Like the other two cases, its aim was to improve business capabilities, which in this context related to the use of GPS/GIS technology in rural and regional enterprises. This program therefore also fits the characteristics of enterprise policy in that it was developed and delivered in collaboration between QRITC and government funders and its aim was to improve firm capabilities with GPS/GIS technology.

The role of policy in path disruption

In addition to the focus on firm innovation within a meta-governance framework, a further distinctiveness of enterprise policy arises from the logic of its claims to public benefit being grounded in the concept of path disruption for the purpose of developing ongoing capabilities for organizational learning. Our research indicates that the impact of the programs as understood by the program participants fits with the broader public benefit goal of overcoming path dependency and thereby contributing to a more dynamic economic system.

Our data show that participation in the program disrupted elements of path dependency within the firms by overcoming resistance to learning in three ways. First, the programs disrupted rigidities within the firm associated with routinization. The effects of routinization as an element of path dependency are explicit in the following quote in which the interviewee makes clear that prior to entering the program, they were moving along 'day by day' without reflecting or seeking out new knowledge:

> We were just going day by day…We didn't have any plan, didn't have any structure, didn't have any system orientation and I suppose the biggest thing that I got out of it was to plan, to budget, to systemize and to utilize people that knew what they were doing (IU006).

As indicated in the literature, routinization encourages exploitation of existing competences rather than exploration and the search for new ideas (Benner & Tushman, 2003; Leonard-Barton, 1992). Firms become complacent, drifting along from day to day, without developing strategies or acquiring resources oriented towards improvement (Benner & Tushman, 2003; Burgelman, 2002). Interviewees indicated that prior to participating in the program their behavior was characterized by routinization and that this was disrupted by the program.

Second, the programs overcame the fear of learning and lack of awareness of the value of new knowledge that together comprise barriers to learning particularly from external knowledge sources. As indicated above, organizational actors have a bounded capacity to process information thereby resulting in the selection of information that tends to reinforce rather than challenge or confront existing ways of doing things (Weick & Roberts, 1993). Fear of learning and an absence of self-reflection are components of this psychological commitment to continuing in the way they

have always done, which creates barriers to learning and limits opportunities to capture external knowledge that is potentially valuable to the firm (Zahra et al., 2006). Firms indicated that participation in the program helped them to overcome this selective perception by confronting the 'fear' of learning new technologies or organizational processes and encouraging a process of self-reflection. In the GPS/GIS case, the fear of new technology was a barrier to learning amongst graziers and successful participation in the GPS/GIS program demystified technology acquisition:

> I mean it's mostly you do away with that fear of not being able to use the stuff (GS001)

This provided participants with the confidence to pursue further learning opportunities. Whereas previously they might have avoided learning opportunities for fear that they would not be able to grasp the key technology or because they did not regard technology as a necessary tool in farm management, they were now more open to the possibility that they could understand otherwise 'obtuse' concepts and that new knowledge could be useful:

> Yes because doing the program allowed me to look at some things which I just thought were obtuse and hard to understand from a different point of view. So when I get other obtuse things I can look at them from a different point of view and there's plenty of that around (GU017)

An important element in the process of path disruption concerns the increasing capacity firms acquired for self-reflection. In the context of the QMI intervention, participants went on to critically interrogate their organizational processes in other ways

> Once you start to look at it you're more inquisitive to other people as to what they're doing and how they're doing it; looking at different ways of doing things and I think the same with them (MU011)

> So there's always questions. Is there a better way to do this? ... If anything's going to make your life easier, quicker and more enlightening, we want to know about it, especially if it's in our workplace (MU017).

The third effect of the programs identified by participants is that the programs exposed the firm to knowledge networks, which involved different and new knowledge sources. Participants indicated that prior to entering the program they did not access knowledge that was beyond the firm and in particular beyond the firm's immediate strong networks, which were predominantly with friends and family, which has elsewhere been recognized as a particular problem for small firms (Macpherson & Holt, 2007). As indicated by the following interviewee, small firms tend to rely on friends and family for new knowledge and an important outcome of the program is to extend knowledge networks beyond these traditional sources:

> …to utilize people who knew what they were doing instead of just taking on friends and so called people that said I'll show you how to do this and I'll show you how to do that. Use professional advice (IU0006).

Exposure to external knowledge sources is important to the development of the capability for exploratory organizational learning, which is a necessary mechanism for avoiding 'lock-in'. Zahra and George (2002, page 191) explain that 'the breadth and depth of knowledge exposure positively

influence a firm's propensity to explore new and related knowledge'. Similarly, the literature on open innovation has increasingly recognized the importance to innovation of searching for and integrating knowledge from a variety of stakeholders including suppliers, customers and collaborators (Chesbrough, 2003). By participating in the small business advisory programs, firms became connected to external knowledge networks that became a source of new knowledge.

As one GPS program participant explained it, an important part of this process involved extending the networks of participants in the program. This occurred because the program encouraged participants to solve problems amongst themselves in the interval between the formal program training sessions, which led to the formation of ongoing supportive knowledge sharing relationships that extended beyond completion of the program:

> I feel that it's not the knowledge I myself carry but it's the knowledge of all those people that I've made contacts with; that I can call on them and say Joe I'm interested in doing this; do you know how I can achieve that? Now Joe might not know or he might have a little bit of an idea but he knowledge Bob and Bill over there who can help me…. (GU005)

For the MAP and Ideas2Market programs, the openness to external knowledge sources extended to the use of organizational consultants as participant firms acquired a stronger sense of the value of bringing in expert advice from outside the firm.

> It made me realize that there are professional people out there that can help with just about all things. … you know other professionals in their fields, we use more readily now. That's

> probably the biggest thing that it gave me evidence of, is that there are people who can mentor you along in all areas (MU006)

Accessing external knowledge beyond existing networks is fundamental to the path disruption process as it is an important foundation of exploratory learning (Zahra & George, 2002). Participants indicate that by connecting them to external knowledge sources, the advisory program enhanced their knowledge acquisition capabilities.

The above discussion indicates that participants in these small business advisory programs identify impacts of the program that can be understood in terms of the organizational 'lock-in' and path dependency literature reviewed above. Some firms reported that participation in the program had placed them on a new path involving ongoing learning. Each of the following quotes indicates that firms came away from the program having 'learnt to learn' (Jones, 2006).

> I think it's been a continuous process or a journey, if you like, ever since because whilst the Ideas to Market was a great introduction, we've gone a long way down that road now and we're still learning (IU014).

> I think internally what we learnt was that we do things well but we can't rest on our laurels. If you wanted to really sum it up and therefore we have to continually change the way we do things, refine the way we do things, improve our processes if we are going to remain viable in the future (MU014).

For some firms this resulted in specific actions, such as those involved in seeking out new knowledge with some firms reporting that they are ‘still learning’ beyond the completion of the program. For other firms this resulted in actions to improve and change the firm as indicated in the following quote:

> So from that perspective, we’ve virtually got a month by month improvement program going on to evolve and change and further develop the processes that we already have (MU015).

These quotes indicate that firms perceive that they have emerged from the program with an awareness of the need to improve the value creating mechanisms within the firm and that they have gone on to adopt specific learning and change initiatives to give effect to that need.

Discussion

Our first key finding is that a particular emphasis of enterprise policy is to disrupt firm routines and practices which are the basis of path dependent organisational behaviours (Hannan & Freeman, 1984; Tushman & Romanelli 1985) by encouraging firms to learn and innovate. Our interviews with firms show that participation in the enterprise policy program was perceived to have disrupted organisational rigidities associated with routinization (Benner & Tushman, 2003; Leonard-Barton, 1992) and to have overcome the psychological commitment to existing ways of doing things (Koguy& Zander 1992; Levinthal & March, 1993). This was achieved by confronting the fear of learning and increasing the extent to which the manager-owner of the participant firms valued external knowledge. The learning experience enabled participants to tackle questions raised by others, consider perspectives that had not previously been considered, share difficulties and

problems and become of aware of problems that were previously unrecognised all of which have been shown to be important in the development of ‘reflective practice’ which enables learners to question current mindsets and existing ways of doing things (Dyke, 2006; Roglio & Light, 2009).

The enterprise policy programs explored in this paper resulted in participants opening their minds to new ideas and developing the confidence for ongoing learning, which are foundations of critical thinking and reflective practice (Roglio & Light, 2009). In essence, participants learned to learn (Jones 2006). As such, enterprise policy has the potential to encourage the development of elements of reflective practice in which participants go on to challenge and reflect on their business such that their business can evolve, through further learning and change. Our data showed that the experience of learning itself created the confidence for further learning (Jones, 2006). As Jones et. al (2010) explain, business support agencies are one mechanisms through which norms of learning and innovation can be established in small firms which otherwise have the tendency to spend their resources including owner-manager time on operational activities. As such, our data suggest that enterprise policy is potentially disruptive to path dependent organisational behaviours (Hannan & Freeman, 1984; Tushman & Romanelli 1985) and therefore supports prior literature which suggests that external agents can stimulate learning and innovation in firms (Ambrosini, Bowman and Collier 2009; Jones et. al 2010).

It would therefore seem that a key distinctiveness of enterprise policy is its focus on the disruption of firm routines in support of learning and innovation, which is distinguishable from traditional approaches to industrial policy. A key objective of traditional approaches to industrial policy has been to target ‘national champions’ in favoured industrial sectors for the purpose of establishing

policy influence over the structure of industry (Audretsch, 1998; Coleman 1997; Audretsch & Thurik 2001; Parker, 1999). Recent industry policy literature suggests that the nature of industry policy has changed as a result of the changed role of the state in promoting innovation in the knowledge economy (Audretsch & Thurik 2001). Governments have shifted their emphasis from regulation (through public ownership and anti-monopoly) to research policies and education policies and there is an increased emphasis on regional and local policies in the knowledge economy rather than national policies which target particular industry sectors (Audretsch & Thurik 2001; Parker, 1999). An important component of this shift is the increasing emphasis on small business policy in industrial policy regimes which involves policies to raise entrepreneurship awareness in young people, the education and training of entrepreneurs, financial assistance including support for the acquisition of risk capital or specific programs for technology based SMEs including innovation advice, financial support and technology acquisition services (Bennett, 2008; Mole & Keogh 2010). Our paper is an exploration of three enterprise level programs which focus on learning and innovation and which are distinguishable from the emphasis on national champions and favoured industry sectors in traditional approaches to industry policy.

Our second key finding is that a distinctive feature of enterprise policy is its utilisation of network forms of governance. The metagovernance approach in our three case studies involved government funding of intermediary organisations that utilised private actors with business experience or technical or managerial knowledge, who were distributed throughout the business system and which linked firms with each and with new knowledge sources. The three programs involved organisations which acted as knowledge intermediaries, which appeared to be particularly important as a mechanism for achieving the outcomes of learning and innovation. As our interviewees indicated, a critical outcome of the enterprise policy program in which they

participated was the development of networks which exposed the firm to different and new knowledge sources. This is well supported by the literature on knowledge intermediaries, which suggests that there is an important role for intermediaries in boundary spanning which involves the translation of knowledge from one domain to another, the identification of technology and knowledge solutions, the matching of knowledge suppliers and users and the provision of negotiation and contractual support in the process of knowledge transfer and diffusion (Howells, 2006 p. 716-717). Intermediaries in our programs were therefore able to change the 'patterns of relationships' within which firms were embedded (Dyer and Singh, 1998; van Wijk et al., 2008) and thereby enhanced the knowledge acquisition capabilities of the firm which were critical for knowledge creation and utilization (Zahra & George, 2002).

The metagovernance feature of enterprise policy is distinguishable from traditional approaches to industry policy. One of the traditional administrative frameworks associated with industry policy intervention has been characterised with reference to the concept of 'state strength' or the capacity of the state to resist pressure from major interest groups or to impose decisions on major social and economic actors. In relation to industry policy, state strength is associated with an ability to develop and implement industry policies independently of private actors (Atkinson & Coleman, 1989; Evans et al, 1985). Other strands of the statist literature have linked 'state capacity' to the ability of the state to develop and achieve specific industry policy objectives and to mobilise private interests in the pursuit of those objectives. In this approach, the state develops and implements industry policy goals in conjunction with industry (Weiss, 1998). Enterprise policy, however, involves coordinating mechanisms that are implemented through distributed networks, rather than statist organisational arrangements. Independent knowledge intermediaries become the

mechanism through which firms form links with each other and with knowledge sources within the broader business system.

Conclusion

Enterprise policy constitutes an innovative approach to industrial policy because it involves firm interventions developed and delivered through networks of business consultants and coordinated by intermediary organizations. It therefore stands in contrast to traditional industry policy approaches, which focus on favored sectors, or the fostering of particular industry sectors and which are developed and administered by experts in public bureaucracies remotely from business firms. As such, enterprise policy is innovative both because of its focus on firm learning and innovation, which have not been a feature of traditional industry policy approaches and because it is coordinated with new governance frameworks that are akin to meta-governance rather than government control through bureaucratic hierarchies.

The public benefit claims of enterprise policy relate to its ability to disrupt path dependent organizational behaviors and to develop capabilities for open learning and innovation. It is therefore based on a somewhat different logic for policy intervention than that which is typically associated with business advisory programs, which as Bennett (2008) and Mole and Bramley (2006) point out, usually involve market failure justifications and are therefore limited to incidents of externalities or information asymmetries. The underlying logic of enterprise policy is that there are impediments to change in economic systems that can be traced to the path dependent behaviors of economic actors including business organizations, which prevent them from exploring new knowledge and learning. Enterprise policy offers a potential disruption to organizational lock-in by

confronting fears of learning and the absence of self-reflection, challenging routinization and improving knowledge networks (Benner & Tushman, 2003; Leonard-Barton, 1992).

This paper has shown that the positive effects of network forms of interaction and learning associated with metagovernance arrangements on innovation is supported by the public administration literature (Sørensen & Torfing, 2011), the strategic management literature (Augier & Teece, 2008) and evolutionary theory (Nelson & Winter, 1982).The unique features of network forms of governance associated with enterprise policy are understood by participating stakeholders to have influenced their capacity to learn and change well beyond their participation in an enterprise policy program. Stakeholders report that the process by which public actors coordinate networks of information and knowledge exchange among a variety of economic actors stimulates both a desire for change and a capacity to access new knowledge external to the firm.

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